

Message Text

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44

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 COME-00 DODE-00 DOTE-00 FMC-01 INR-07 NSAE-00

CG-00 OFA-01 DLOS-04 SS-15 NSC-05 SP-02 L-03 H-02

PA-01 PRS-01 FTC-01 STR-04 AID-05 CIEP-01 TRSE-00

OMB-01 CEA-01 JUSE-00 /069 W
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O 311358Z JUL 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC IMMEDIATE 7609

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E.O. 11652: N/A

TAGS: EWWT, GT, US

SUBJECT: DELTA/FLOMERCA PROBLEM - STATUS REPORT

REF: A. GUATEMALA 3384

B. GUATEMALA 3571

C. GUATEMALA 3992

D. GUATEMALA 4048

E. GUATEMALA 4049

SUMMARY: PRESS AGITATION OF DELTA COMPLAINT IN FMC AGAINST GUATEMALAN DISCRIMINATION IN CARGO ASSIGNMENT HAS EMOTIONALIZED AND POLITICIZED ISSUE. FURTHER DELAY NOW EXPECTED IN FORMULATION OF MARITIME-TAX LAW WHICH IF PASSED BY CONGRESS WOULD REMOVE DISCRIMINATION AGAINST US LINES. END SUMMARY.

1. SINCE LAST STATUS REPORT (REF. B), PRESS STORIES ON DELTA COMPLAINT AND USG INVESTIGATION (REF. C) AND DEFIANT POSITION OF FLOMERCA (REF. D) HAVE, AS EXPECTED, LOWERED ISSUE TO LEVEL OF CONFRONTATION BETWEEN STRUGGLING LDC TRYING TO DEVELOP TINY MERCHANT MARINE AND USG INSISTING ON ADVANCING INTERESTS
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OF GIANT US SHIPPING LINE. IN EFFORT TO CORRECT FALSE REPRE-

SENTATION IN PRESS AND BY FLOMERCA, EMBASSY IS ISSUING STATEMENT TODAY, JULY 30 (REF. E).

2. PUBLICITY AND EMOTIONALIZATION OF ISSUE HAVE DISRUPTED EFFORTS OF THOSE FAVORING NEW MARITIME TAX AS EQUITABLE RESOLUTION OF PROBLEM (REF. A), TO PUSH DRAFT LAW THROUGH GOG AND CONGRESS. EARLIER, INTER-MINISTERIAL COMMISSION ON PROPOSED LAW HAD COMPLETED WORK, AND AGREED DRAFT WAS TO BE PASSED TO PRESIDENT FOR FINAL CONSIDERATION PRIOR TO PRESENTATION TO CONGRESS. HOWEVER, FLOMERCA WITHDREW ITS SUPPORT OF NEW LAW, TURNING AGAINST IT AND ADVOCATING CONTINUATION PRESENT SYSTEM. AGREED DRAFT WENT THEN NOT TO PRESIDENT BUT TO NEW MINISTER-LEVEL NATIONAL ECONOMIC COMMISSION. CONFRONTED WITH DIVISION WITHIN GOG, COMMISSION PROCEEDED TO REQUEEZ REPORT ON ISSUE FROM GUATEMALAN EMBASSY/WASHINGTON. COMBINED CHAMBERS OF COMMERCE AND INDUSTRY, HOWEVER, CONTINUED DISCUSSIONS WITH GOVERNMENT, SUGGESTING MODIFICATIONS OF DRAFT LAW TO MAKE IT MORE ACCEPTABLE TO GOG AND CONGRESS.

3. (SINCE EXPORTERS ALMOST UNIVERSALLY OPPOSED TO NEW TAX ON EXPORTS -- WHICH COULDN'T BE PASSED ON TO BUYERS -- IT WAS PROPOSED THAT MARITIME TAX BE LIMITED TO IMPORT CARGO -- ON GROUNDS IMPORTERS COULD PASS TAX ON TO DOMESTIC CONSUMERS. OTHER ELEMENTS PUSHING FOR ELIMINATION OF MARITIME TAX ON OIL IMPORTS SINCE WOULD BE INFLATIONARY. LEVEL OF 5 PERCENT COULD BE SCALED DOWN FOR SAME REASON. ALL OF WHICH WOULD MEAN LESS REVENUE DIRECTED ULTIMATELY TO FLOMERCA, WHICH MAY BE ONE OF THE REASONS FOR REVERSAL OF FLOMERCA POSITION.)

4. NOW, HOWEVER, PUBLIC AIRING OF ISSUE HAS RENDERED GOG INCAPABLE FOR TIME BEING OF MAKING FURTHER MOVES ON LAW. COMBINED CHAMBERS HAVE SUSPEVJED THEIR DISCUSSIONS. PROSPECT OF EARLY EMERGENCE OF LAW PRESENTLY VERY DIM.

5. IN COURSE OF RECENT BRIEFING OF FOREIGN MINISTER ON STATUS OF FMC AND STR HEARINGS, AMBASSADOR MENTIONED REVERSAL OF FLOMERCA POSITION ON DRAFT LAW AND EXPECTED DELAY IN FINALIZATION OF IT. AGITATION IN PRESS NOW WILL GIVE FURTHER PAUSE TO GOVERNMENT IN ADVANCING MARITIME TAX LAW.
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